

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

May 31, 2009

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB2080 by Uresti (Relating to improving the welfare of children in this state by developing strategies for reducing child abuse and neglect and improving child welfare, and health creating the Texas Medical Child Abuse Resources and Education System grant program, and increasing access to the child health insurance program.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB2080, Conference Committee Report: a negative impact of (\$66,022,785) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$26,494,882)
2011	(\$39,527,903)
2012	(\$41,514,755)
2013	(\$40,863,352)
2014	(\$39,788,246)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>Interagency Contracts</i> 777	Probable Savings/ (Cost) from <i>Pub Health Svc Fee</i> <i>Acct</i> 524	Probable Savings/ (Cost) from <i>Federal Funds</i> 555
2010	(\$5,080,230)	(\$350,000)	\$0	(\$27,805,209)
2011	(\$3,555,047)	(\$1,070,066)	(\$1,576,276)	(\$70,723,137)
2012	(\$3,785,377)	(\$1,070,066)	(\$1,576,276)	(\$75,824,938)
2013	(\$3,710,675)	(\$1,070,066)	(\$1,576,276)	(\$74,161,748)
2014	(\$3,586,173)	(\$1,070,066)	(\$1,576,276)	(\$71,420,212)

Fiscal Year	Probable Savings/ (Cost) from DSHS Pub Hlth Medicd Reimb 709	Probable Revenue Gain/(Loss) from Pub Health Svc Fee Acct 524	Probable Revenue Gain/(Loss) from DSHS Pub Hlth Medicd Reimb 709	Probable Savings/ (Cost) from GR Match For Title XXI 8010
2010	\$0	\$0	\$0	(\$9,714,652)
2011	(\$291,836)	\$1,576,276	\$291,836	(\$24,272,856)
2012	(\$291,836)	\$1,576,276	\$291,836	(\$26,029,378)
2013	(\$291,836)	\$1,576,276	\$291,836	(\$25,452,677)
2014	(\$291,836)	\$1,576,276	\$291,836	(\$24,502,073)

Fiscal Year	Probable Savings/ (Cost) from Premium Co-payments 3643	Probable Savings/ (Cost) from Experience Rebates- CHIP 8054	Probable Savings/ (Cost) from Vendor Drug Rebates- CHIP 8070	Probable Revenue Gain from Premium Co-payments 3643
2010	(\$10,180,970)	(\$683,448)	(\$734,476)	\$10,180,970
2011	(\$29,013,610)	(\$1,844,449)	(\$1,974,601)	\$29,013,610
2012	(\$31,398,240)	(\$1,983,113)	(\$2,122,312)	\$31,398,240
2013	(\$30,619,090)	(\$1,937,825)	(\$2,073,845)	\$30,619,090
2014	(\$29,335,840)	(\$1,863,171)	(\$1,993,950)	\$29,335,840

Fiscal Year	Probable Revenue Gain from Experience Rebates- CHIP 8054	Probable Revenue Gain from Vendor Drug Rebates- CHIP 8070	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	\$683,448	\$734,476	(\$11,700,000)	21.0
2011	\$1,844,449	\$1,974,601	(\$11,700,000)	21.0
2012	\$1,983,113	\$2,122,312	(\$11,700,000)	21.0
2013	\$1,937,825	\$2,073,845	(\$11,700,000)	21.0
2014	\$1,863,171	\$1,993,950	(\$11,700,000)	21.0

Fiscal Analysis

The bill would create a 9-member task force to establish a strategy for reducing child abuse and neglect and improving child welfare. The members would be 1 of 4 entitled to reimbursement for travel expenses as provided by Chapter 660, Government Code, and the General Appropriations Act.

The bill would require the Department of State Health Services (DSHS) to establish the Texas Medical Child Abuse Resources and Education System (MEDCARES) program to award grants for the purpose of developing and supporting regional programs to improve the assessment, diagnosis, and treatment of child abuse and neglect as described by the report submitted to the 80th Legislature by the Advisory Committee on Pediatric Centers of Excellence relating to abuse and neglect. It would also require the Executive Commissioner of Health and Human Services to establish a committee to advise on the creation of rules and priorities for the use of the grant funds. And it would require DSHS to submit a report to the governor and the legislature regarding the activities of the grant program.

The bill requires the Health and Human Services Commission (HHSC) to increase income eligibility for the Children's Health Insurance Program (CHIP) from at or below 200 percent of the federal poverty level (FPL) to at or below 300 percent of FPL; increases the threshold at which an assets test may be established from 150 percent of FPL to 250 percent of FPL; increases from 185 percent of FPL to 285 percent of FPL the threshold at which a review of income during the sixth month of enrollment is required; authorizes HHSC to provide dental benefits at full cost to the enrollee as an available plan option for a child whose net family income is greater than 200 percent but not greater than 300 percent of FPL; maintains current cost sharing requirements for enrollees whose net family incomes are at or below 200 percent of FPL; requires HHSC to require enrollees whose net family incomes are greater than 200 percent but not greater than 300 percent of FPL to pay a share of the cost through copayments, fees, and a portion of the plan premium.

The bill requires the total amount of the share required to be paid by enrollees with net family income greater than 200 percent but not greater than 300 percent of FPL to include a portion of the plan

premium set at an amount that is not more than 2.5 percent of an enrollee's net family income, to exceed the amount required to be paid by those with net family incomes at or below 200 percent of FPL not to exceed five percent of an enrollee's net family income, and to increase incrementally as an enrollee's net family incomes increases, but the total amount required to be paid may not exceed five percent of an enrollee's net family income. The bill requires HHSC to ensure that the cost paid by enrollees with net family income greater than 200 percent but not greater than 300 percent of FPL progressively increases as the number of children in the enrollee's family provided coverage increases. The bill requires HHSC to develop an option for an enrollee to pay monthly premiums using direct debits to bank accounts or credit cards. It provides that the waiting period for enrollment for a child whose net family income is greater than 200 percent but not greater than 300 percent of FPL is 180 days and applies to a child covered by a health benefits plan at any time during the 180 days before the date of application for coverage. It maintains the current waiting period of 90 days for a child whose net family income is at or below 200 percent of FPL.

The bill would require the executive commissioner of HHSC to establish a process allowing for the termination of CHIP coverage for an enrollee whose net family income is greater than 200 percent but not greater than 300 percent of FPL if the enrollee does not pay required premiums, including providing for a lock-out period during which a child may not be reenrolled after termination for nonpayment. It requires state agencies to request any federal waiver or authorization necessary to implement any provisions of the bill and authorizes them to delay implementation until the waivers or authorizations are granted. It specifies that the bill does not make an appropriation and would only take effect if a specific appropriation for implementation is made in the General Appropriations Act.

Methodology

It is assumed that any costs associated with the task force to establish a strategy for reducing child abuse and neglect and improving child welfare would be minimal and can be absorbed within available resources. DSHS could solicit and accept gifts, grants, and donations from any public or private sources for purposes of implementing the MEDCARES grant program. DSHS would not be required to award a MEDCARES grant unless the agency is specifically appropriated money to do so. According to DSHS, the Pediatric Centers of Excellence Advisory Committee Findings and Recommendations Report submitted to the 80th Legislature recommends that MEDCARES grant funding be provided to 12 medical facilities across the state at a cost of \$975,000 per facility, which represents 65 percent of the total cost to implement a medical child abuse program. It is assumed that all 12 facilities would receive grant funds of \$975,000 annually for a total cost of \$11.7 million per fiscal year. It is also assumed that these costs would come out of General Revenue Funds. It is assumed that any administrative costs associated with implementing the MEDCARES grant program can be absorbed within existing agency resources.

It is assumed that it will take three months for the agency to obtain the necessary waivers and authorizations and to perform the required start-up activities to implement the provisions found in these sections. It is assumed that beginning December 1, 2009 clients between 200 and 300 percent of FPL will begin enrolling in CHIP. It is assumed that monthly cost-sharing will be established in the amount of \$30 per child for families between 200 and 250 percent of FPL and \$40 per child for families between 250 and 300 percent FPL; these amounts are assumed to include the cost of dental benefits. Due to substantial variation in income and family size, actual monthly cost-sharing amounts could vary substantially resulting in an increase or decrease in the proportion of the program that is funded through Premium Copayments; the level of cost-sharing required could also affect program enrollment. It is assumed that beginning December 1, 2009, income reviews during the sixth month of enrollment will be done only for families with income above 285 percent of FPL, that the assets test will apply only to families with income above 250 percent FPL, and that a waiting period of 180 days will apply to certain recipients above 200 percent of FPL. All other costs and program policies are maintained at the level assumed for children at or below 200 percent of FPL.

Federal law currently caps income eligibility for CHIP at 50 percentage points above the highest limit for children enrolled in Medicaid; in Texas this cap would be 235 percent of FPL. HHSC indicates that the state may be allowed to "disregard" income above 235 percent of FPL. It is assumed that federal matching funds will be available for children above 235 percent FPL, but if the state does not get approval to enroll children above 235 percent FPL additional General Revenue Funds would be

required to fund them.

It is estimated that the cumulative impact of the policy changes included in these sections would result in an additional 29,277 average monthly recipient months in fiscal year 2010; 79,011 in fiscal year 2011; 84,951 in fiscal year 2012; 83,010 in fiscal year 2013; and 79,814 in fiscal year 2014. The average cost per recipient month is estimated to be \$129.69 in each fiscal year. The additional cost to the program from higher caseloads would be \$45.6 million All Funds, including \$21.2 million in General Revenue Funds, in fiscal year 2010; \$123.0 million All Funds, including \$58.2 million in General Revenue Funds, in fiscal year 2011; \$132.2 million All Funds, including \$62.7 million in General Revenue Funds, in fiscal year 2012; \$129.2 million All Funds, including \$61.2 million in General Revenue Funds, in fiscal year 2013; and \$124.2 million All Funds, including \$58.8 million in General Revenue Funds in fiscal year 2014. These General Revenue Funds amounts include expenditure of additional collections of Vendor Drug Rebates for CHIP, Experience Rebates, and Premium Copayments totaling \$11.6 million in fiscal year 2010, \$32.8 million in fiscal year 2011, \$35.5 million in fiscal year 2012, \$34.6 million in fiscal year 2013, and \$33.2 million in fiscal year 2014.

There would also be additional administrative expenditures associated with the expanded program estimated to be \$4.3 million All Funds, including \$1.3 million in General Revenue Funds, in fiscal year 2010; \$6.9 million All Funds, including \$2.0 million in General Revenue Funds, in fiscal year 2011; \$7.4 million All Funds, including \$2.1 million in General Revenue Funds, in fiscal year 2012; \$7.2 million All Funds, including \$2.1 million in General Revenue Funds, in fiscal year 2013; and \$6.9 million All Funds, including \$2.0 million in General Revenue Funds, in fiscal year 2014. These amounts include one-time costs for system changes and policy implementation and ongoing costs for eligibility and enrollment broker services and postage.

The total cost of these sections is estimated to be \$49.9 million All Funds, including \$22.4 million in General Revenue Funds, in fiscal year 2010 rising to \$131.1 million All Funds, including \$60.8 million in General Revenue Funds, by fiscal year 2014. It is assumed that CHIP federal matching funds will be available; however, if the state exhausts its capped federal allotment, General Revenue Funds would be required in lieu of assumed Federal Funds.

The bill would likely reduce the cost of the bill if caseload is reduced due to enrollees failing to pay premiums and being disenrolled from the program and prohibited from reenrolling for a period of time; however, it cannot be determined when or how many enrollees may fail to pay premiums resulting in a lowering of caseload.

Technology

PCs will be required for all new staff. Standard cost is associated with each FTE. Additional capital authority will be required. Upgrade of the laboratory information management system, to include, laboratory and case management software and functionality (\$368,600, one-time cost for FY 10) is required.

Technology costs included above total \$1.0 million All Funds, including \$0.3 million in General Revenue Funds, in fiscal year 2010 for one-time costs associated with system changes.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 537 State Health Services, Department of
LBB Staff: JOB, CL, SD, LR, PP, JF